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# **Federal Crop Insurance Program Update**

Material for the Senate Committee on  
Agriculture, Nutrition, and Forestry

October 14, 1999



# USDA Goals for Crop Insurance Reform

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- Improve the basic safety net
  - Make coverage more affordable
  - Increase the value of the product to producers
  - Cover multi-year losses better
  - Pilot a livestock revenue program
- Speed new and better risk management tools to market
- Improve Noninsured Crop Disaster Assistance Program (NAP)
- Provide better service and information



# 1. 1999 Performance Indicators

## Sharp Increase in Participation

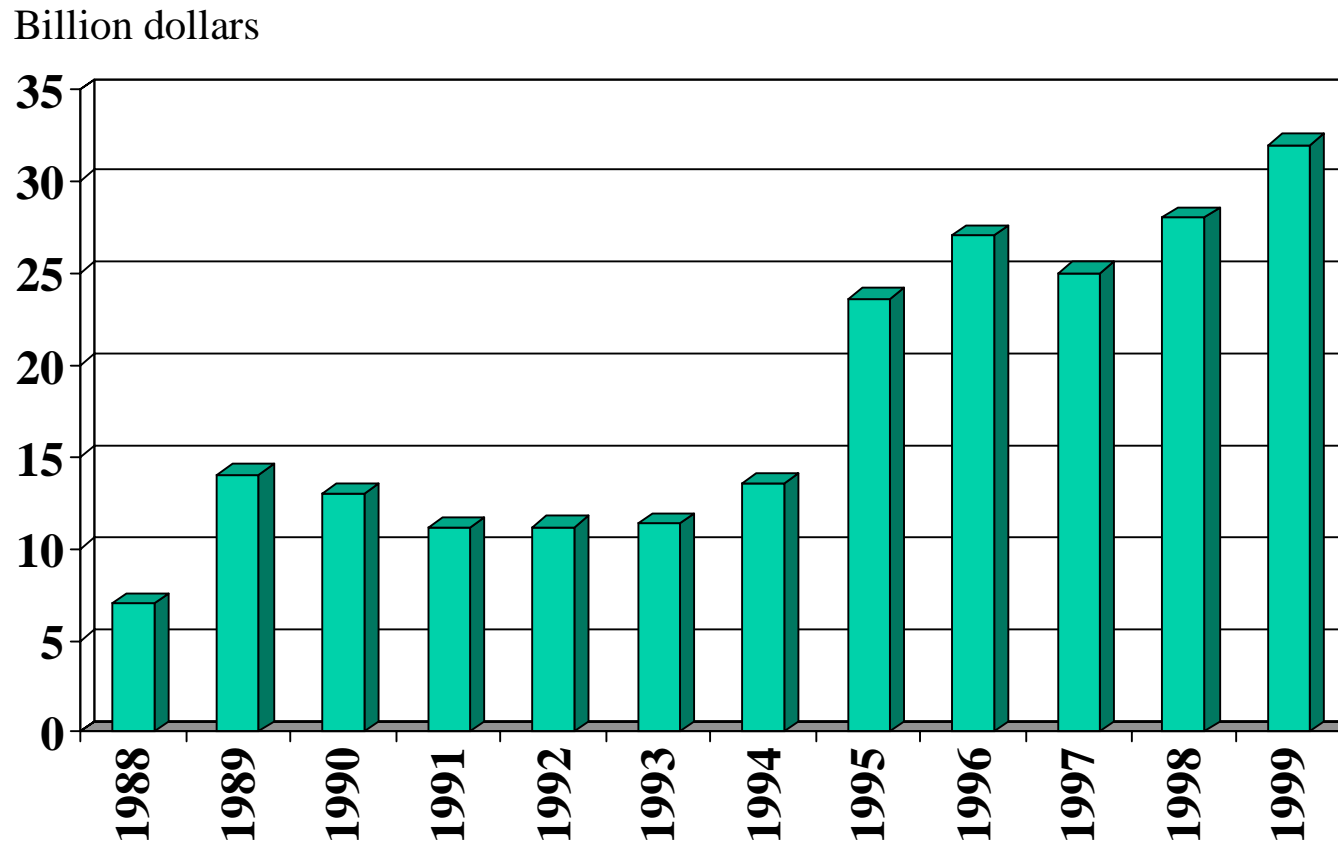
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	1998 final	1999 est.	Percent change
<b>Policies</b>	1.75 million	1.84 million	5.1%
<b>Acres</b>	181 million	198 million	9.3%
<b>Liability</b>	\$27.9 billion	32.3 billion	15.7%
<b>Premium</b>	\$1.87 billion	\$2.34 billion	25.1%
<b>Buy-up acres</b>	120 million	145 million	20.8%
<b>Buy-up prem.</b>	\$1.52 billion	\$2.05 billion	34.8%



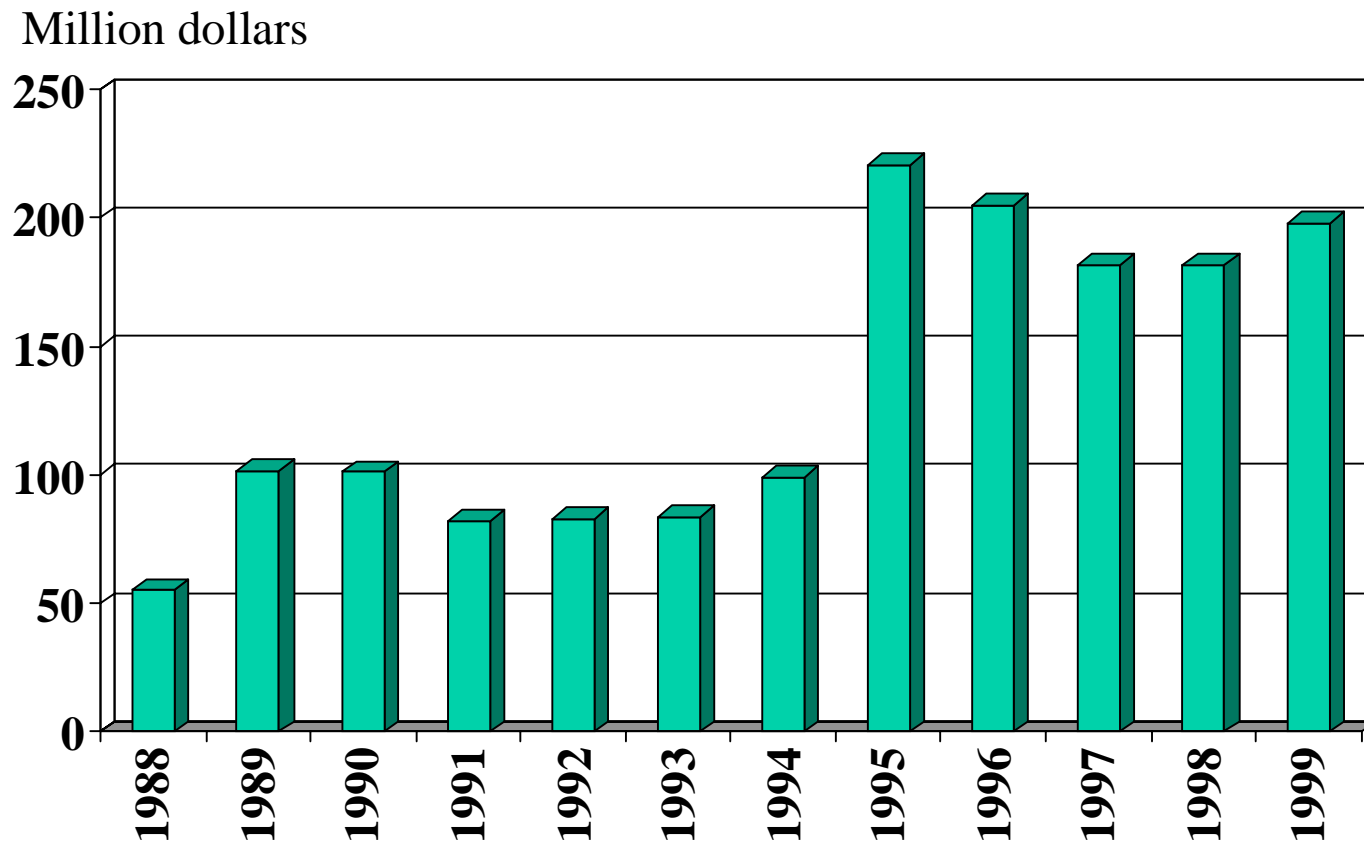
# U.S. Total Crop Insurance Liability, 1988-99

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# U.S. Total Net Insured Acres, 1988-99

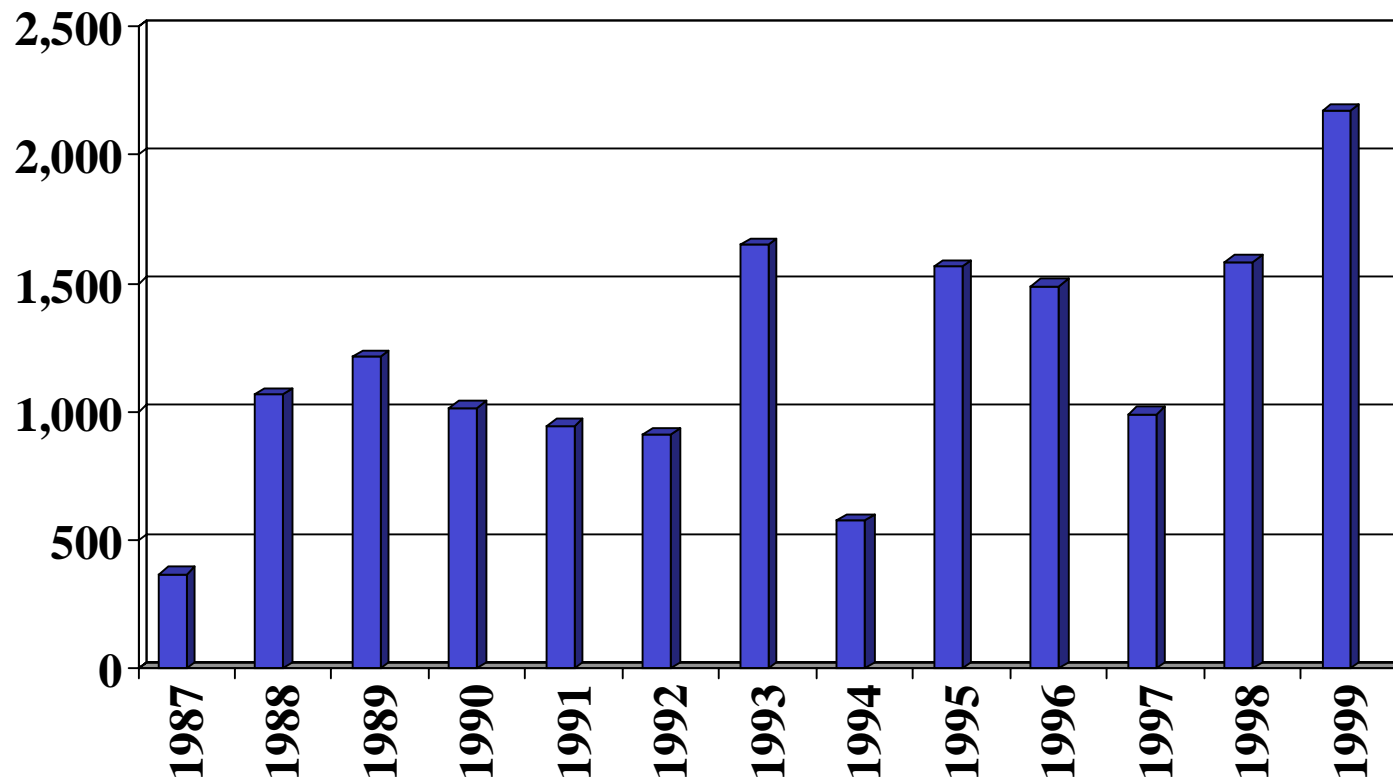
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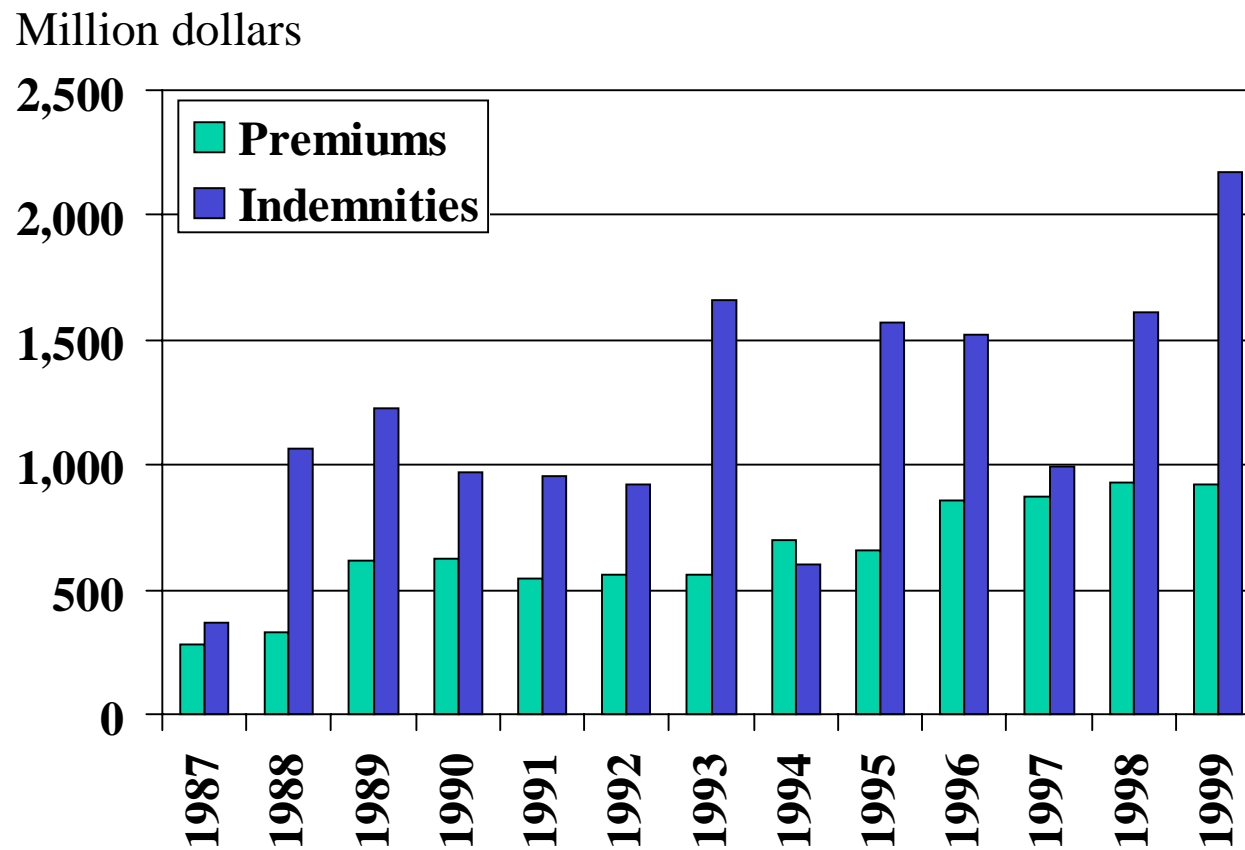
## 2. Increase in Loss Payments to Farmers

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Million dollars

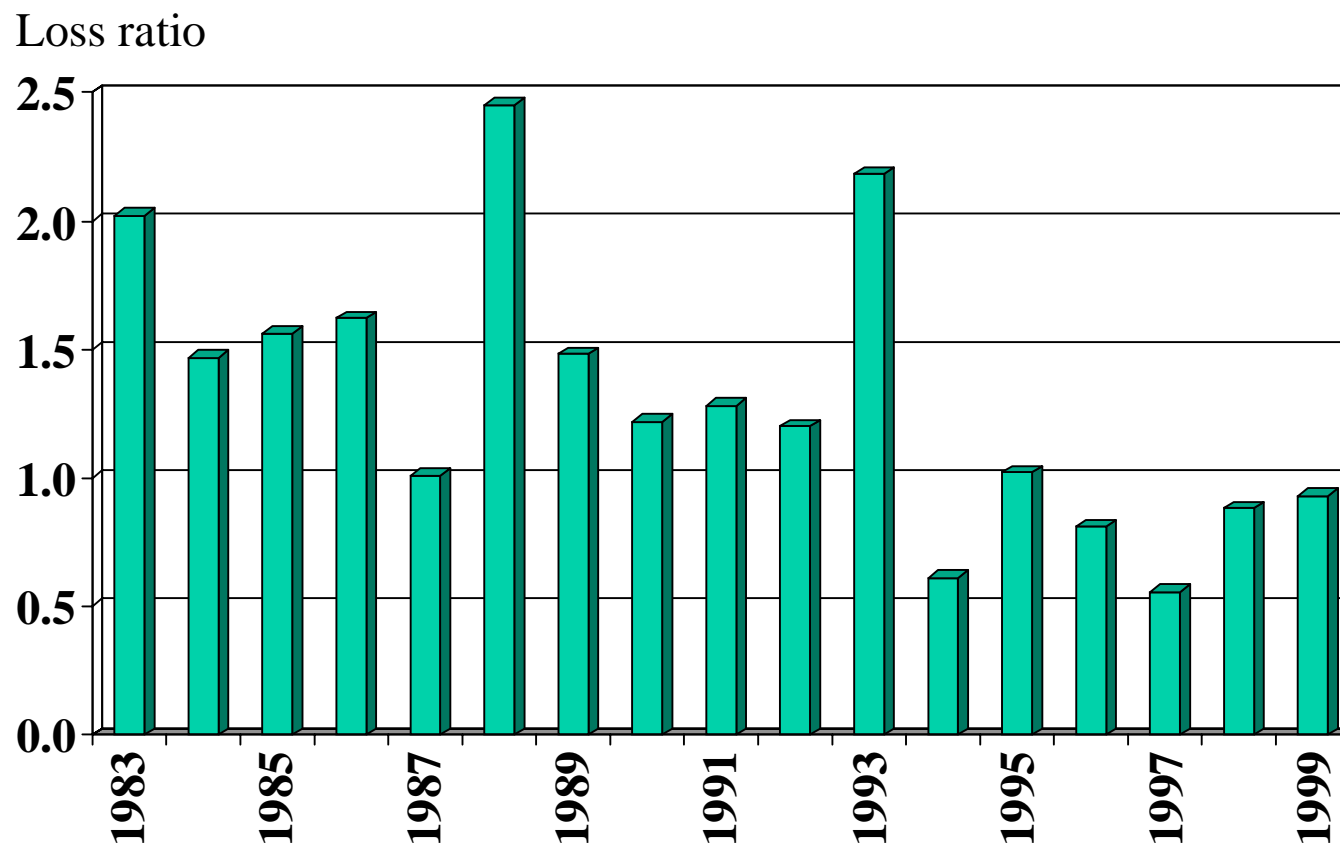


# Comparison of Farmer Loss Payments to Farmer Premiums, 1987-99



### 3. Continued Actuarial Soundness

Crop Insurance Loss Ratios, 1983-99





## 4. Growing Regional Balance for Crops Insured

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- States with fastest participation growth include Florida and California
- Still need to increase participation in the Northeast and other areas
- See participation map



## 5. Continued Program Diversification

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- New pilot programs 1999
  - Adjusted Gross Rev. (AGR)
  - Avocado APH
  - Cabbage
  - Cherries
  - Crambe
  - Cultivated Wild Rice
  - IP Barley
  - Mustard
  - Rangeland GRP
  - Winter squash
  - 85% coverage
- Approved for 2000
  - Cultivated clams
  - Coverage Enhancement Option (CEO) on apples, canola, potatoes, grapes, rice, citrus fruit, others,
  - Chile peppers
  - Cucumbers (processing)
  - Florida fruit trees (citrus canker)
  - Onion stage removal
  - Pumpkins
  - Strawberries
  - Several major expansions of existing programs.



# Observations from This New Data

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- Supports core premise of crop insurance proposals
  - Strong response to premium discounts shows farmers respond to price;
  - Demonstrates impact of longer-term Risk Management approach since 1994 reforms
- Shows that generally larger goals take time, in some cases several years



# Impact of Current Situation

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- For 2000 crop year, premium discounts will keep coverage more affordable; current participation levels should be retained.
- However:
  - Long-term program issues are unresolved
  - Short-term problems:
    - Contingent pilot programs (must discontinue expansions for blueberries, avocados, Florida fruit trees, cherries)
    - Appropriation leaves RMA underfunded for implementation
    - Delayed implementation cycle for specialty crops, livestock, and yield modifications



## Number of Social Security Numbers (SSN) and Employer Identification Numbers (EIN) per County

